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DEPARTMENT OF STATE

MEMORANDUM OF CONVERSATION

M-870

March 5, 1958

SUBJECT: German Defense Problems

PARTICIPANTS: Mr. Franz Josef Strauss, German Minister of Defense
Mr. Albrecht von Kessel, Charge d'Affaires, German Embassy
Lt. Colonel Biedermann, German Army
Mr. C. Burke Elbrick, Assistant Secretary of State, EUR
Mr. Foy Kohler, Deputy Assistant Secretary of State, EUR
Mr. Smith, Assistant Secretary for Policy Planning
Brigadier General Richard Steinback, USA, Deputy Chief, MAAG, Germany
Mr. Jacques J. Reinstein, Director, GER
Mr. Henry Tasca, Economics Minister, Embassy Bonn
Mr. Raymond E. Lisle, Deputy Director, GER
Mr. Robert A. Fearey, NATO Adviser, EUR/RA

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After an exchange of greetings Mr. Elbrick asked Minister Strauss whether there were any problems he wished to raise. Strauss replied that there were not but that he would be glad to answer any questions.

Mr. Elbrick recalled that the Federal Republic stated in its 1957 Annual Review submission that it will soon be facing a budgetary deficit as a result of the buildup. He asked Strauss what the dimensions of this problem now appeared to be and what the German Government was planning to do to meet it. He also asked how successful the Government had been in obtaining the German people's support for the buildup.

Minister Strauss reviewed the background of the German defense financing problem in familiar terms and along the lines indicated by the Federal Government in its Annual Review submission. The DM 9 billion appropriation each year initially contemplated is not enough. Equipment is more expensive than originally estimated. It is of course more expensive to build up an army from zero than merely to maintain an existing army. Germany would

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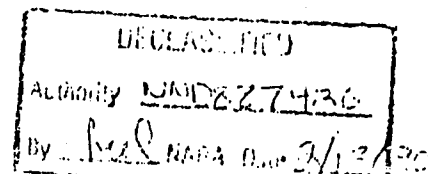
would spend DM 5.5 billion on the buildup during 1957/58, and DM 10.0 billion in 1958/59. The sum earmarked for defense in 1959/60 is DM 14.5 billion and in 1960/61 DM 18 billion. Since the carry over of unused funds at the beginning of 1958/59 will be DM 5.8 billion, approximately DM 16 billion will be available for expenditure during that year. Sufficient funds were thus available to meet U.K. stationing costs claims but Strauss said that if he released these funds for this purpose he feared he would not get them back when he needed them in 1960 and 1961.

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Defense spending in the period 1958 to 1961 would be the major contributing cause for the cash deficits during those years. Total cash requirements beyond funds already available or provided for would amount to approximately DM 17 billion. It had been decided that DM 10 billion would be met (a) through tax increases, mainly income tax increases estimated at 10-20 per cent (more than 20 per cent would require approval by the Bundesrat); (b) a DM 2 billion credit from the German capital market; and (c) DM 3 billion in foreign loans raised in 1961. There was a possibility that for certain technical reasons some of the money would not be needed until 1962 and 1963. However, all planning was in accord with the NATO-approved Annual Review. Strauss stated that the buildup expenditure figures had been approved by the Minister of Finance, whose responsibility it will be to raise the necessary additional funds by the above three means.

Contrary to public reports there had been no reduction in the over-all burden of German taxes this year. The changes had consisted only of a simplification of the tax structure and of certain provisions which would improve the liquidity of the capital market and thus facilitate its use for the financing of public expenditures.

Strauss stated that the German defense forces would total 350,000 by April 1st, 1961, which, however, would not be their full peacetime strength. After that date an additional 20,000 would be recruited in the Air Force, 5,000 in the Navy, and 30-40,000 in the territorial defense force. The latter, Strauss emphasized, is not a national reserve army. Only about one-third of these will have combat capability with the remainder technical specialists. Most of these will be short-term draftees. If the Soviets attack, the first problem will be to ensure that the German population stays at home. If there is panic and they flock into the highways leading west, NATO's entire military defense plans will be frustrated. The principal function of the territorial force will therefore be to prevent such a development by ensuring that the people stay at home. The territorial forces will also protect highways and bridges and perform communications services. A portion of the territorial defense force on the eastern border will be attached to the army and earmarked for NATO with anti-tank responsibilities. A new bazooka-type weapon costing only about DM 5,000 will be able to knock out a tank. Thus by the end of 1962, Strauss stated, the peacetime strength

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of the German defense forces will be about 400,000 men. There are still difficulties with the build-up of the Air Force stemming largely from the fact that there are not enough qualified applicants for commissions. It will be necessary to make service more attractive by raising pay.

762a. 59 KR Mr. Reinstein expressed interest in Strauss' point that all military planning depended on civil defense, particularly with reference to preventing the roads from being jammed by refugees. He pointed out that the whole related field of alert planning involved special responsibilities for the Three Powers under the Convention on Relations. He hoped that when the Federal Government was ready to submit to the Bundestag the legislation which would enable it to take over these responsibilities from the Three Powers, it would give us an opportunity to examine the draft and to express an opinion as to its adequacy. Strauss stated that legislation had been prepared in this field in early 1956. The Chancellor, however, had not liked the draft which had been worked out in the Interior Ministry and decided to postpone all further work until after the elections. The amended draft, which had the preliminary approval of the Chancellor, has not yet been submitted to the Cabinet, but is being given consideration in the Ministries of Defense, Interior, Economics, Transportation and Communications. There are a number of difficult points. A constitutional amendment might be required. This would be difficult as it would require a two-thirds majority in the Bundestag. The SPD was suspicious that any granting of emergency powers would give too great authority to the military which might be used in a general strike. While it might be possible to confine legislation to an external threat, it was not easy to differentiate clearly external threats and internal subversion. The Soviets might act through the latter. There is further difficulty arising from the federal system of the Federal Republic. The Federal Government has no police forces except the border police. The law should be amended so that in an emergency there would be central direction of Land police forces. It would be desirable to have local militia units under the control of the commanding officers of the local military areas. Without this it might be difficult to "maintain order for General Norstad" in a way which would permit the implementation of basic military planning. He added that we need have no fear that German responsibilities would not be met. In an emergency the Chancellor is Commander-in-Chief. Mr. Reinstein commented that he was not sure whether the Federal Government thought that it was legally possible for the Federal Government to assist in the implementation of our present alert plans.

Mr. Elbrick referred again to the question of popular support in Germany for the buildup. Strauss replied that the situation was both good and bad -- good when the Government took a firm position and presented the people with fait accomplis and bad when a firm position had not been taken. He cited several examples of this situation, the first of which was the EDC Treaty. He said that when this Treaty was under negotiation Germany was beset with propaganda, plebiscites and other efforts of the opposition to defeat the plan, but that as soon as the Treaty had been ratified the people accepted it.

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The same situation obtained prior to the initiation of the defense buildup; as soon as the forces had been formed the opposition retreated. A further example was the widespread and vocal opposition to general conscription, which disappeared after the bill had passed, even though, because of the elections, the first conscripts were not called up until the following April. The number of conscientious objectors has turned out to be minute, only .03 or .04 per cent of the current year's call-up. The idea of a law for substitute service for such objectors has been dropped.

The same situation, Strauss continued, obtained with respect to the acceptance by Germany of tactical atomic weapons. Germany has never wanted these weapons as a privilege for its army. At the same time the Government has refused, despite domestic political pressures, to say that it would not accept them. It has always maintained that the NATO military authorities are responsible for the defense of Allied Command Europe and that Germany should await their recommendations. If SACEUR considers the introduction of tactical nuclear weapons necessary, and atomic war heads are to be stored in Germany under U.S. custody, the Federal Republic will comply.

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In February, 1957, Strauss stated, Moscow had initiated a big offensive against atomic weapons in Germany which was carried on further by the SPD and by German "egg heads", professors and scientists. A new campaign against "atomic death" was being initiated this year to affect the Landtag elections. Although the election campaigns should be concerned with local issues they will in fact deal with problems of federal policy, such as reunification, the Rapacki plan and atomic weapons. Strauss stated that experience indicated that the German people should be presented with a fait accompli in the field of nuclear weapons. The Chancellor had agreed, and it was with this in mind that he (Strauss) had just announced Germany's purchase of Matador missiles. If other continental NATO countries were to be equipped with nuclear weapons it was impossible, as General Norstad had said, that Germany should not be also, and as soon as possible. The nuclear warheads could be guarded by Americans, -- "we don't want to see them". If we are able to tell the Parliament that the weapons are already available, there will be no trouble.

Strauss went on to urge the importance of making evident to the public that the responsibility for international tension and the resultant increased armament and military danger lies solely with the Soviet Union. He felt that public attitudes had been weakened by the Soviet initiatives and that it was essential to make clear to German public opinion the extent of the Soviet danger. If this were popularly understood, there would be no question of the Federal Republic not meeting fully its military goals.

The carrying on of the build-up is not easy, Strauss said. Its progress depends on the psychological situation which is weakened by Soviet propaganda, which would have been more successful if there had been no Hungarian uprising.

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He did not want to talk about foreign relations but did wish to emphasize that in his view it would be far better to have no Summit Conference rather than one with bad results. It would be even worse to have a Summit Conference with no real agreement but which for domestic political reasons was publicly portrayed as a success. Mr. Elbrick commented that Strauss' position here seemed to be much like that of the United States.

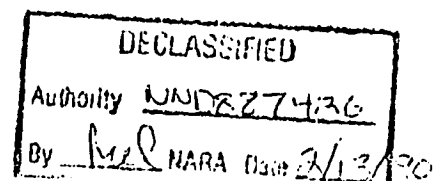
The ideas of Kennan, Strauss said, had had great effect in Germany. Kennan is a man of great integrity. There really is no Kennan plan, but rather a series of ideas, some of which are good, some silly, like the Werewolf idea in Germany. One would be surprised how many Communists would come to the surface if the Soviets ruled Germany.

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640.0012 Strauss had been surprised at the manner in which the idea had developed that there was a "Strauss plan" of counter-proposals to the Rapacki Plan. At a closed CDU Bundestag faction meeting Krone had asked von Brentano and himself for ideas on the Rapacki Plan. Strauss had spoken "off-the cuff" and explained to the faction that he did not think the idea of the denuclearized zone a good one. It should not be discussed at a conference. If, however, it had to be discussed, then this must be in the context of five additional points, including the extension of the zone, conventional disarmament, an extended control system, guarantees against attack on an atom-free zone, and concrete steps toward the reunification of Germany in peace and freedom. These ideas were entirely improvised -- made up in the course of his speech. The next day, much to his surprise, he read in the newspapers of the "Strauss Plan". To avoid misunderstanding he elaborated the points to a friendly correspondent and was surprised at the public reverberations. He confessed he had not been happy at the "success" of his Plan, including an extensive discussion in the Warsaw Communist paper Trybuna Ludu. The "success" of the plan merely illustrated the psychological lacunae which we must fill. . . We should not give up our objectives, but must be flexible in our procedures. It was essential that the Western Allies have no mistrust of one another. They must agree on a common concept, and then each play his proper role.

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396.1 With respect to a possible Summit Conference, we must ascertain what the Soviets want. If they seek peace and stability in order to solve their domestic problems we can work out some solution and do business with them. If, however, they seek by "peaceful coexistence" over a period of years to weaken the West, we should be extremely stiff and give them no opportunity to solve their domestic economic problems. In any case, we should not talk with them of symptoms if they refuse to deal with the roots of the current problems, such as the situation in Eastern Europe and the problem of a divided Germany. It was important not to have another Munich.

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740.56 Mr. Elbrick noted that the U.S. did not have much information on the French-German-Italian weapons development and production collaboration, of which there seemed to be two aspects, -- the non-nuclear and the nuclear. With respect to the latter, he asked Minister Strauss for any views he might have on the NATO Atomic Stockpile arrangement.

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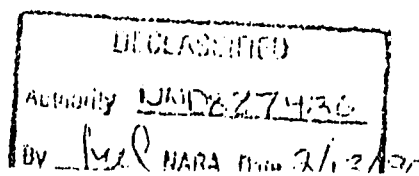
Strauss replied that some time ago, right after he became Minister of Defense, he received a hint from the French Government that with the settlement of the Saar issue the French Government would welcome closer military cooperation between France and Germany in a NATO framework. The entire German cabinet favored such closer cooperation, as has U.S. policy, and French-German relations are in fact now better than they have been in 100 years. The French Minister of Defense invited him (Strauss) to meet with him in France to discuss the matter and to go on to Colomb Bechar, which no other foreigner had previously been invited to visit. He had accepted and had spent two days at Colomb Bechar examining French versions of the Matador, the German V-1 and V-2 rockets and other missiles. The French Minister of Defense had presented him with a document which he had revised and which had emerged as the Protocol of Colomb Bechar, establishing a framework of military cooperation not extending to nuclear warheads. Three months later he had received a similar hint from the U.K., leading to establishment of bilateral cooperative arrangements with the British in different technical fields.

A few months ago, Strauss continued, the French Military Attache in Bonn had told him that the Italians were interested in participating in these arrangements and had asked if he perceived objection to extension of the German-French arrangements to include Italy. He had offered no objection and a tripartite arrangement similar to that worked out at Colomb Bechar had been arrived at. This arrangement included as one possible area of cooperation development of the use of nuclear energy not for nuclear weapons but for military propulsion purposes. The Federal Government opposed collaboration in the production of nuclear weapons, but was much interested in atomic propulsion for "mobile missile launchers". (Other comments suggest that Strauss was referring to nuclear-powered submarines. He said the Secretary had offered at the December Paris meeting to make available "know how" on this.)

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The Federal Republic, Strauss emphasized, is not interested in the production of nuclear weapons. He stated that Germany is entirely satisfied with the NATO Atomic Stockpile Plan. He believed that the French intend to produce nuclear weapons, and hope for American help to this end, but said that nothing is being done by the three countries on a tripartite basis in the nuclear weapons field. While loyal to France, the Federal Government considers it important to know what France is doing in the nuclear weapons field. Strauss emphasized that Germany opposes the extension of independent nuclear capabilities, and believes that if France proceeds with its weapons program NATO will have to deal with the problem. A multilateral approach to the production of nuclear weapons would, he stated, be preferable to extension of independent national capabilities.

With respect to weapons production generally, Strauss mentioned that Germany is now working with FINEBEL and with the WEU Armaments Committee. This organization involved some 50 committees and sub-committees with approximately 2,000 people. About half the people from the German Defense

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Ministry seemed to be engaged in this activity and constantly traveling, with the result that it was difficult for the Ministry to get anything done. Germany had become convinced that it was impossible to agree on technical projects of production cooperation in bodies of six, seven or fifteen members. Germany, France and Italy accordingly intend to work out projects among themselves. These projects would be submitted to NATO for information before they were initiated, and BENELUX and the U.K. would be specifically asked if they wished to participate. Strauss said he had discussed this arrangement with the Belgian Defense Minister who had been entirely satisfied. The U.K. had indicated interest in closer cooperation with the three Governments but U.K. participation had been opposed by Italy. The Italian Government stated that if the U.K. were invited to participate Italy would withdraw. The Federal Government recognizes that U.K. cooperation is more valuable than Italian cooperation in the defense production field, but is at the same time disturbed by the military ideas entertained by the U.K. Germany desires closer cooperation in technical military matters among the former EDC powers. The EDC failed but it is intended to revive certain of its functions, not on an integrated basis as originally proposed but on the basis of unanimity. It is hoped, for example, to have a common European tank. U.S. tanks are excellent but too heavy for European purposes and with insufficient fuel storage space. Soviet tanks could reach the Rhine without refueling, a distance of some 500 kilometers, while the M-48 can only go 100 kilometers without refueling. Germany would like to utilize a U.K. tank but the Centurion is old-fashioned. Strauss will ask the Pentagon what comes after the M-48 and hopes there will be a lighter, more maneuverable tank which he will be able to buy for the 11th and 12th German divisions.

Mr. Elbrick then referred to the question of support costs, stating that the U.K. had advised that it is submitting new proposals to the Federal Government. The U.S. Government attached the greatest importance to the maintenance of U.K. forces on the Continent and, without attempting to assess the proposals themselves, hoped that they would be most seriously considered by the Federal Government. Strauss replied that for military, psychological and political reasons the Federal Government also strongly desired the retention of the U.K. forces on the Continent, and was prepared to meet the British foreign exchange problems occasioned by stationing costs. The support costs problem, however, was only a symptom of a more basic difficulty, namely, the fact that British defense concepts differ radically from those of NATO, Germany and the U.S. This was a problem which would be discussed at the April Defense Ministers meeting. Some people in BENELUX were convinced that the U.K. wanted to go home. The British position appears to be that there will either be no war on European soil or total nuclear war. A total war, the U.K. contends, can only be deterred by retaliatory capability. The U.K. wants to wield the big stick. The basic difficulty is this divergence of strategic concepts and the necessity to renegotiate the stationing costs issue each year, rather than the problem of foreign exchange support of the U.K. troops.

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Mr. Elbrick explained that the current U.K. proposal covered a three year period. An essential part of NATO strategy is the shield forces. In their current proposals, as shown to us, the U.K. had acknowledged this fact. Strauss replied that in this event he must wait and examine the proposals. The basic problem is to have a common defense policy in NATO including the U.K. If a common strategic concept is agreed, the stationing costs problem can be worked out. The Federal Republic adheres to the concepts and requirements in MC 70 and intends to implement exactly the requirements specified for it. If, however, one asks General Hodes what his defense concept is, one finds that his concept differs completely from that of General Ward in northern Germany. Hodes adheres to the forward strategy while the U.K. plan is to go back at once below the Weser, to hold there a few days and then to retreat behind the Rhine to build defenses in Belgium and Holland. When the Germans have more divisions they will wish to put them in the North. At that time, such divisions should not be under British command. The Federal Government's objective is to protect as many people, as much ground, and as much materiel as possible from a Russian invasion. It supports a one hundred percent forward strategy. If he (Strauss) had any other concept he could not be Minister of Defense. It is essential to reconstitute a common defense concept. The trip-wire theory would be disastrous for Germany. If this is the official U.K. concept we want all German divisions in northern Germany. This is the view of the entire German military establishment and of the Cabinet. We hope the U.K. will give us a clear answer in support of the forward strategy.

At this point Secretary Brucker called to remind Minister Strauss that it was time for him to leave for the reception in his honor, and the meeting broke up.

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